



## Memorandum

**DATE:** September 24, 2014  
**TO:** Diana Gomez, Contract Manager  
**FROM:** Paula Rivera, Audit Division  
**CC:** Finance and Audit Subcommittee of the Board  
Jeff Morales, CEO  
Jonathan Fong, Contract Analyst  
**SUBJECT:** Postaward Review of HSR 13-67

I reviewed the agreement and cost proposal for agreement HSR 13-67 between the California High Speed Rail Authority (Authority) and Chaudhary & Associates, Inc. (Contractor) for Right of Way Engineering and Surveying Services.

The scope of the review was limited to the agreement and the cost proposal dated January 21, 2014. The objectives of the review were to determine if the necessary fiscal provisions were included in the agreement and whether the proposed costs are reasonable and in compliance with the Code of Federal Regulations (CFR) 48, Chapter 1, Part 31 for the purpose of accepting contract progress billings. The proposed indirect rates were not audited or examined because a postaward review is significantly less in scope than an incurred cost audit or examination.

We were not able to conduct this review under the Government Accountability Office's *Generally Accepted Governmental Audit Standards*, because the Authority's Audit Division has not undergone a peer review. However that does not impact compliance with other applicable elements of the attestation standards. The Authority is not yet eligible to have a peer review due to the recent formation of the Audit Division and the lack of a body of work to be reviewed.

Based on the review, except as described below, no material deficiencies were noted.

### Issue 1

Proposed indirect rates are oversaturated as follows:

<u>Contractor</u>	<u>Proposed</u>	<u>Supported</u>
DGA&V	159.61%	114.52%
McPheeters & Associates	161.63%	131.89%

**Recommendation:** The Contract Manager should have the cost proposal revised to reflect the supported rates.

## Issue 2

Proposed hourly rates were overstated:

<u>Name</u>	<u>Classification</u>	<u>Proposed</u>	<u>Supported</u>
<b>Chaudhary &amp; Associates</b>			
Joe Pivarmik	Party Chief	\$37.09	\$31.12
Joe Pivarmik	Survey Technician	37.09	31.12
Matthew Vielbaum	Party Chief	37.09	31.12
Matthew Vielbaum	Survey Technician	37.09	31.12
<b>David Greenwell Associates &amp; Veterans Surveying (DGA&amp;V)</b>			
David Greenwell	Quality Assurance	48.00	41.98
<b>Lee, Inc.</b>			
Alex White	Project Surveyor	50.00	35.00
Dave Purcell	Survey Technician	48.00	45.00
Steve Cobbledick	Survey Technician	40.00	35.00

**Recommendation:** The Contract Manager should have the cost proposal revised to reflect the supported rates noted above.

## Issue 3

The draft agreement does not contain the fiscal provisions requiring subcontractors to comply with the method of payment.

**Recommendation:** The Contract Analyst should include the fiscal provision requiring the subcontractors to comply with the method of payments.

## Issue 4

The proposed hourly rate of \$48.00 for John Schmidt is unsupported.

**Recommendation:** The Contract Manager should revise the cost proposal to remove the proposed employees noted above.

The results were provided to Arvin Chaudhary, President/CEO of Chaudhary & Associates, Inc. on September 17, 2014. This report is intended for use by the Authority and the Federal Railroad Administration. However, this report is a matter of public record and its distribution is not limited.

Please forward a copy of the executed agreement to the Audit Division. If you have any questions, please contact me at (916) 403-2679.